

Message Text

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TO AMEMBASSY PARIS IMMEDIATE

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EXDIS TOSEC 331

CORRECTED COPY (GARBLE IN PARA 6 AND OMISSION LINE 5 PARA 9)

E.O. 11652: GDS

TAGS: TGEN

SUBJECT: TECHNOLOGICAL COOPERATION WITH EUROPE IN GASEOUS DIFFUSION ENRICHMENT PLANT

REF: STATE 245034

FOR SECRETARY FROM UNDER SECRETARY CASEY

1. I BELIEVE YOU SHOULD BE INFORMED OF RECENT DEVELOPMENTS REGARDING POSSIBLE TECHNOLOGICAL COOPERATION WITH A FRENCH-SPONSORED EUROPEAN GASEOUS DIFFUSION ENRICHMENT PLANT KNOWN AS EURODIF. I WANT TO BE SURE THAT YOU DO NOT TAKE THE VIEW THAT FAILURE TO EXTEND DECEMBER 31 DEADLINE FOR ENRICHMENT CONTRACTS WOULD UNDERCUT YOUR CALL FOR CO-OPERATION ON ENERGY ISSUES. WE DO NOT SEE ANY INCONSISTENCY IN (A) HOLDING TO THIS DEADLINE ON BASIS OF WHICH MANY UTILITIES HAVE MADE COMMITMENTS AND (B) US READINESS TO COOPERATE IN TECHNOLOGY AND OTHER WAYS. PARAS 2 THROUGH 4 PROVIDE BACKGROUND NECESSARY TO THE UNDERSTANDING OF RECENT EVENTS.

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2. THE USAEC ISSUED NEW CRITERIA THIS FALL GOVERNING CONTRACTS TO PROVIDE URANIUM ENRICHING SERVICES. THIS WAS PRECEDED BY EXTENSIVE CONGRESSIONAL HEARINGS AND EXTENSIVE CONSULTATIONS WITH US AND FOREIGN UTILITIES MANY OF WHOM

PROTESTED THE SEVERITY OF THE NEW TERMS. IN ESSENCE, THE NEW CRITERIA REQUIRED A CONTRACTUAL COMMITMENT EIGHT YEARS IN ADVANCE OF THE INITIAL FUELING OF THE NUCLEAR POWER PLANT AND THE COMMITMENT TO TAKE FUEL FOR THE SUCCEEDING TEN YEARS. A SUBSTANTIAL DOWN-PAYMENT IS REQUIRED FOR A TYPICAL EUROPEAN-SIZE REACTOR. THIS AMOUNTS TO \$3.3 MILLION, PAYABLE IN THE FIRST THREE YEARS. TO PROVIDE A TRANSITION TO THE NEW CRITERIA, THE AEC ANNOUNCED TWO DEADLINES FOR ITS CUSTOMERS. A CUSTOMER DESIRING THE INITIAL FUEL FOR HIS PLANT PRIOR TO JULY 1, 1978 HAD TO COMPLETE HIS CONTRACT ARRANGEMENTS WITH THE AEC PRIOR TO DECEMBER 31, 1973. (CUSTOMERS WHO WOULD REQUIRE THEIR INITIAL FUEL BETWEEN JULY 1, 1978 AND JUNE 30, 1982 HAVE TO CONTRACT WITH THE AEC PRIOR TO JUNE 30, 1974) THESE DEADLINES APPLY EQUALLY TO DOMESTIC AND FOREIGN CUSTOMERS.

3. THE UNITED STATES MADE AN OFFER TO EUROPE, CANADA AND PACIFIC BASIN COUNTRIES IN FEBRUARY 1971 TO ENTER INTO EXPLORATORY TALKS WITH MULTINATIONAL GROUPS REGARDING THE USE OF AMERICAN TECHNOLOGY FOR THE CONSTRUCTION ABROAD OF A GASEOUS DIFFUSION PLANT. HAVING MADE THIS OFFER, THE U.S. DID NOT PRESS IT. THE FIRST RESPONSE WAS EARLY THIS YEAR WHEN BRINCO OPENED UP DISCUSSIONS WITH THE AEC REGARDING THE PURCHASE OF TECHNOLOGY FOR THE CONSTRUCTION, IN CANADA, OF A GASEOUS DIFFUSION PLANT. AT A MEETING, CHAIRED EARLIER THIS MONTH BY PETER FLANIGAN, DECISIONS WERE TAKEN WHICH WILL HAVE THE EFFECT OF DISCOURAGING THE BRINCO VENTURE WITHOUT, AT THIS TIME, TAKING A FINAL DECISION ON WHETHER ANY US TECHNOLOGY WILL BE MADE AVAILABLE TO THE BRINCO VENTURE.

4. ON NOVEMBER 23 THE FRENCH ANNOUNCED THEIR DECISION TO PROCEED WITH THE CONSTRUCTION OF A GASEOUS DIFFUSION PLANT IN EUROPE - EURODIF. THIS PLANT WOULD COST OVER AN EXCESS OF \$1 BILLION AND ITS PRODUCTION WOULD BECOME CONFIDENTIAL

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AVAILABLE BEGINNING IN 1979. FINANCING A PLANT OF THIS SIZE REQUIRES A SUBSTANTIALLY ASSURED LONG-TERM MARKET, THE ACHIEVEMENT OF WHICH WOULD PROBABLY INVOLVE A EUROPEAN PROCUREMENT PREFERENCE SCHEME.

5. BEGINNING IN MID-NOVEMBER, PAUL LOCHAK, HEAD OF A PARIS-BASED CONSULTING FIRM AND REPRESENTING A GROUP OF EUROPEAN UTILITIES, HAS PAID A SERIES OF VISITS TO WASHINGTON SEEKING TO HAVE THE UNITED STATES CONFIRM THAT THE 1971 OFFER TO EXPLORE COOPERATION IN MAKING GASEOUS DIFFUSION TECHNOLOGY AVAILABLE WAS STILL OPEN AND WOULD BE APPLICABLE TO EURODIF. HE ALSO SOUGHT A THREE-MONTH POSTPONEMENT IN THE DECEMBER 31 DEADLINE REFERRED TO IN PARAGRAPH 2 ABOVE. LASTLY, HE SOUGHT THE RIGHT FOR

EUROPEAN UTILITY PURCHASERS TO SHIFT THEIR CONTRACTS WITH AEC TO EURODIF AT A LATER DATE. (THIS WAS REJECTED OUT OF HAND BY THE AEC, BUT THE QUESTION IS STILL OPEN IN EUROPEAN EYES.) THERE HAVE BEEN A SERIES OF THREE MESSAGES SENT TO PIERRE WYART, WHO IS THE GENERAL MANAGER OF THE EUROPEAN UTILITY GROUP WHICH LOCHAK WAS REPRESENTING CONFIRMING THE CONTINUING INTEREST OF THE US IN ENTERING INTO EXPLORATORY DISCUSSIONS REGARDING USE OF US TECHNOLOGY IN THE CONSTRUCTION OF A MULTINATIONAL PLANT IN EUROPE. WYART HAS ALSO BEEN INFORMED THAT THE DELAY IN THE DECEMBER 31 DEADLINE POSES PROBLEMS OF DISCRIMINATION TO SOME FIFTY AMERICAN AND THIRTY OTHER FOREIGN UTILITIES WHO HAVE ALREADY SIGNED CONTRACTS WITH THE AEC REQUIRING A DEPOSIT OF APPROXIMATELY \$1 MILLION EACH. THE AEC HAS INDICATED THEIR WILLINGNESS TO CONSIDER INDIVIDUAL UTILITIES REQUESTS BUT THE MESSAGES HAVE CONVEYED A GENERAL IMPRESSION THAT BLANKET DELAY WOULD NOT BE POSSIBLE.

6. MR. LOCHAK IS CURRENTLY IN WASHINGTON AND, IN A MEETING WITH THE AEC OVER THE WEEKEND AND WITH ME YESTERDAY, PRESSED VERY HARD FOR A THREE-MONTH DELAY IN THE DECEMBER 31 DEADLINE. LOCHAK, WHEN PRESSED FOR REASON ARGUES THAT THE DELAY WOULD HAVE SYMBOLIC VALUE AND WOULD CONVEY CLEAR SENSE OF US DESIRE TO COOPERATE IN THE DEVELOPMENT OF EURODIF.

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7. THROUGHOUT CONVERSATIONS WITH LOCHAK, US OFFICIALS HAVE INSISTED ON PARTICIPATION OF EUROPEAN GOVERNMENTS IN THE PROSPECTIVE DIALOGUE WITH THE UNITED STATES. WHEN PRESSED ON THIS POINT THIS WEEK, LOCHAK STATES THAT EUROPEAN GOVERNMENTS ARE AWAITING A CLEAR SIGNAL FROM THE US IN THE FORM OF A THREE MONTH DELAY ON THE DECEMBER 31 DEADLINE. ON FRIDAY OF LAST WEEK, THE DEPARTMENT INSTRUCTED ITS MISSIONS IN EUROPE, CANADA AND JAPAN TO MAKE A FORMAL PRESENTATION TO HOST GOVERNMENTS OF THE EXCHANGE OF CORRESPONDENCE WITH WYART AND TO REPEAT OUR READINESS TO ENTER INTO EXPLORATORY DISCUSSIONS ON SHORT NOTICE AND OUR REQUIREMENT THAT PERTINENT EUROPEAN GOVERNMENTS PARTICIPATE. MISSIONS REQUESTED TO SOLICIT HOST GOVERNMENT REACTIONS. THESE RESPONSES ARE NOT YET IN. (SEE REFTEL.)

8. IN A MEETING YESTERDAY (DECEMBER 18) BETWEEN THE AEC AND STATE, IT WAS DECIDED THAT NO GENERAL POSTPONEMENT WOULD BE GRANTED ALTHOUGH INDIVIDUAL UTILITIES REQUESTS WOULD BE CONSIDERED. I INFORMED LOCHAK YESTERDAY THAT THIS MATTER WAS STILL UNDER ADVISEMENT AND THAT WE HOPE TO HAVE A DECISION BY THE END OF THIS WEEK.

9. COMMENT. IN MY VIEW, THERE IS NO REASONABLE OR

RATIONAL CONNECTION BETWEEN PROPOSED DELAY IN THE DECEMBER 31 DEADLINE AND THE ISSUE OF TECHNOLOGICAL COOPERATION WITH EURODIF. EUROPEAN UTILITIES HAVE RESERVATIONS ABOUT THE RELIABILITY AND THE PRICE OF EURODIF PRODUCTION. THEY BELIEVE, CORRECTLY, THAT THE

RELIABILITY AND ECONOMY OF THE PLANT WOULD BE ENHANCED IF US TECHNOLOGY, ESPECIALLY BARRIERS, IS UTILIZED. FROM UTILITY POINT OF VIEW AVAILABILITY OF US TECHNOLOGY AND COOPERATION IS DESIRABLE ON ITS OWN MERITS.

10. ALTHOUGH LOCHAK HAS STRESSED SYMBOLIC VALUE OF DEADLINE DELAY, I SUSPECT THAT EURODIF SPONSORS ARE MOTIVATED BY MONETARY CONSIDERATIONS. A DELAY WOULD ENLARGE EURODIF'S OPPORTUNITY WITH POSSIBLE GOVERNMENTAL SUPPORT, TO PERSUADE UTILITIES NOW IN PROCESS OF SIGNING UP WITH AEC TO SHIFT TO EURODIF SUPPLY. SINCE EURODIF PRODUCTION WOULD NOT BECOME AVAILABLE UNTIL 1979, AT

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EARLIEST, SUPPLY OF MATERIAL FOR 1978 WOULD HAVE TO BE ACQUIRED BY EURODIF BY PURCHASE FROM SOVIET UNION, US OR FROM PRESENT FRENCH PRODUCTION.

11. I HAVE CALLED MEETING FOR THURSDAY AFTERNOON OF FLANIGAN, SIMON AND AEC COMMISSIONERS TO REVIEW THIS SITUATION. UNLESS YOU THINK OTHERWISE, OR NEW CONSIDERATIONS ARISE I PLAN TO TAKE THE POSITION THAT NO EXTENSION OF DECEMBER 31 CONTRACTING DEADLINE IS CALLED FOR. RUSH

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